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The UK-EU relationship after Brexit: What difference does Labour make in power?

In its first term, the UK Labour government's approach to the EU is likely to be cautious and little different in substance to that of previous administrations. The Labour government has come to power without having fundamentally resolved the core terms of its European policy. As of today, ministers would struggle to agree on whether the priority in future Brexit negotiations is to widen access to the EU single market, safeguarding jobs and promoting economic growth, or maintain restrictions on EU migration and borders that 'honour' the outcome of the 2016 referendum. That difference of view reflects the cleavage within Labour's electoral coalition between those in affluent regions of the UK, who favour measures that will ensure a rapid uptick in economic growth, and those in post-industrial communities for whom tackling uncontrolled migration is the central political priority.

After nearly a decade of unrelenting Brexit trauma, it would be tempting to believe that the election of a Labour government in London under Prime Minister Keir Starmer is bringing a long period of uncertainty and instability in UK politics to an end. Moreover, the defeat of the British Conservative Party at the election, the main architects of the original Brexit referendum and Withdrawal Agreement, allows the UK to turn the page, moving back towards the European orbit on trade, economics and security.

And there are indeed compelling reasons why it is in Britain's strategic interest to seek a closer alignment with the EU. The economic harm inflicted on the UK economy by withdrawal from the EU single market has been serious and is set to become even more damaging as the Trade and Co-operation Agreement (TCA) is fully implemented. Moreover, geo-political uncertainty compounded by Donald Trump's victory in the United States, the ongoing war against Vladimir Putin in Ukraine and continuing conflict with President Xi Jinping's China reinforce the case for the UK to strengthen relations with its EU partners to navigate turbulent times ahead. There is substantive evidence that

a majority of the UK electorate believe Brexit was an error and wish to move closer to Europe again. And there is the reality that the British Labour Party itself remains, at its core, an avowedly pro-European party.

So far, so good? Strengthening diplomatic ties with Europe

Prime Minister Starmer has gone to considerable lengths to improve diplomatic ties with the EU during his first 100 days in office, supported by his Foreign Secretary, David Lammy. The British premier expressed his desire to forge a significantly improved relationship with Britain's European allies in the wake of his election victory. The party's 2024 election manifesto stated: "We will reset the relationship [with the EU] and seek to deepen ties with our European friends, neighbours and allies". Within weeks of the election, Starmer had flown to a number of European capitals, including Paris and Berlin, and hosted a meeting of the European Political Community in the UK with nearly 50 leaders, where he made the case for more effective co-operation on migration, border controls and energy security.

So far, so optimistic. Yet, there is every reason to believe that in its first term, Labour's approach to the EU is likely to be cautious and little different in substance to that of the previous administration under Rishi Sunak. In fairness to Sunak, his government sought to establish more constructive ties with the EU by signing the Windsor Framework, designed to overcome the political impasse in Northern Ireland. Sunak's approach was to move the UK gradually closer to the EU, without any fundamental alteration in the institutional arrangements encapsulated by the TCA. Labour's manifesto similarly affirmed that a new relationship with the EU must not reopen the divisions of the past. There will be no return to the single market, the customs union, or freedom of movement. Instead, Labour will work to improve the UK's trade and investment relationship with the EU, by tearing down unnecessary barriers to trade.

Labour's negotiating stance

The party's 2024 manifesto contained three specific proposals on the EU relationship: (1) to seek a compromise on UK musicians and touring artists being able to move freely in the EU; (2) mutual recognition of qualifications to help open markets for UK service exporters; and (3) a veterinary agreement that would reduce customs checks, bringing down food prices for hard-pressed British consumers. The aim was to take the rough edges off the Withdrawal Agreement, even if, in truth, these reforms are modest and will only modify Brexit at the margins. Disappointingly for key figures in the new administration, Keir Starmer hastily rejected the EU Commission's proposal for a youth mobility scheme, even if the Commission's timing may have been less than ideal, just a few months before the British election.

The Labour government has come to power without having fundamentally resolved the core terms of its European policy. As of today, ministers would struggle to agree on whether the priority in future Brexit negotiations should be to open selective access to the EU single market, safeguarding jobs and promoting economic growth, or whether to maintain restrictions on EU migration and borders that 'honour' the outcome of the 2016 referendum. That reflects the cleavage within Labour's electoral coalition between those in more affluent regions of the UK, who favour measures that will ensure a rapid uptick in economic growth, and those in post-industrial communities for whom tackling uncontrolled migration is the central political priority.

In fairness, the question of what constitutes the most propitious post-Brexit deal for the UK is not easy to resolve. As Charles Grant from the Centre for European Reform highlights, a Norway-style arrangement akin to the UK joining the European Economic Area is unlikely to be acceptable in Great Britain. British governments would have to accept rules imposed on their financial services sector in the City of London by EU member states over which they had little formal influence, while they would need to embrace the principle of freedom of movement. More selective, deeper UK-EU alignment in key sectors would appear to be a more promising approach, but it is likely to be messy and negotiations would be protracted.

An alternative model for Great Britain would be to re-enter the EU single market for goods and not services, effectively the current arrangement for Northern Ireland under the Windsor Framework, which is not presently available to the rest of the UK (the basis of Theresa May's deal, previously rejected four times by parliament). Last year, 55% of all UK imports of goods came from the EU, while 47% of UK exports went to the EU, underlining the importance of free trade in goods with the EU. Yet that approach would still require the Labour government to accept the European Court of Justice's jurisdiction, pursuing deeper alignment with the EU in key sectors.

There are other spheres where it may be possible for Keir Starmer's administration to make more rapid progress, not least on European security. The party's manifesto states that,

> Labour will seek an ambitious new UK-EU security pact to strengthen co-operation on the threats we face. We will rebuild relationships with key European allies, including France and Germany, through increased defence and security co-operation. We will seek new bilateral agreements and closer working with Joint Expeditionary Force partners. This will strengthen NATO and keep Britain safe.

A new UK-EU 'security pact' would enable the UK to improve relations with its European partners and continue to build trust, while security does not require the UK to compromise on 'red lines' over free movement and regulatory alignment. Moreover, security is of mutual interest to both sides: European defence capabilities need to be rebuilt, not least given the existential threat posed to NATO and the Western alliance by a Trump presidency.

A long, tortuous history

The Labour government's approach to the EU needs to be understood through a historical lens. It is important to recognise that British uncertainty and prevarication over the EU are nothing new. The wartime prime minister, Winston Churchill, viewed the UK as at the centre of three 'majestic' circles of influence: the Commonwealth of countries that formally comprised the British Empire, the special relationship with the United States and closer engagement with Europe.

Yet, there was continuing reluctance among governments of the left and the right to fully embrace European integration. The post-1945 Labour government under Clement Attlee chose not to engage with the European Coal and Steel Community in the late 1940s. Labour governments in the 1960s dithered over membership of the European Community, while it required a Conservative prime minister, Edward Heath, to negotiate the original terms of membership in 1973.

The party has approached the issue of European integration cautiously. Labour's stance had historically been defined by 'Euro-caution' rather than 'Euro-fanaticism'. The leadership adopted a 'realist' view centred on power relationships and strategic influence in the EU due to the party's ambivalence about the Community and awareness of the electoral constraints under which Labour was operating.

The central issue for Labour leaders over the last 70 years has been whether socialist internationalism should entail full participation in the European project, or whether it requires the UK to remain apart from the EU, engaging in various international alliances, particularly with the Commonwealth. In the aftermath of World War Two, Attlee and his Foreign Secretary, Ernest Bevin, were adamantly opposed to the UK joining any federal association that was intended to bolster the political unity of Europe. As the historian John Callaghan has noted, the post-war Labour government, "wanted nothing to do with a customs union that would compromise the UK's imperial role".[1] Bevin insisted that the UK was "not just another European country". After 1945, the Labour leadership was committed to the UK playing a global, not merely a European, role, acting as a 'third force' between the United States and Soviet Russia where, "the British would assume a position of leadership because of their special characteristics as a people".[2]

In the late 1950s and 1960s, Labour's leaders Hugh Gaitskell and Harold Wilson began to develop a more constructive approach to British participation, although they maintained misgivings about European integration. Gaitskell warned about the European Community subjugating "a thousand years of British history". Wilson railed against the terms of entry negotiated by Harold Macmillan in 1961, infamously denouncing the Community as, "an arid, sterile and tight trading bloc against the East".

Yet, ultimately, Wilson endorsed the UK remaining in the EEC, having himself sought membership as prime minister in 1967. Labour's then leader argued that the European

1 Callaghan, J. (2007) "Pivotal powers: The British Labour Party and European unity since 1945". *Capital & Class*, 3(31): 203. DOI: 10.1177/030981680709300112

2 Ibid, p. 205.

continent would form a powerful trading bloc, rivalling the US and the USSR. If the UK remained outside, further relative economic decline, Wilson believed, was inevitable. He argued that, if the UK decided, "to take our bat home […] sinking into an off-shore mentality", the consequences for the British economy and the UK's world role would be devastating. Subsequent Labour leaders have been similarly hard-headed.

Starmer's European policy: Brexit dilemmas?

Meanwhile, resolving Labour's approach to the EU is likely to remain testing for the Starmer government. The forces that exacerbated uncertainty and instability in UK politics after the 2016 referendum have not disappeared. Labour has not resolved the existential dilemma on Europe confronting the party: it remains a strongly pro-European party in its core beliefs (after the Brexit referendum, most leading politicians and the vast majority of party members wanted a second plebiscite). Yet, to become once again a serious contender for power, Labour has been compelled to broadly accept the terms of Brexit and the Conservative vision of EU withdrawal.

The strength of belief in Europe among many on the left in the UK is almost religious in its intensity. For one, EU membership enabled the left in the UK to erect an effective bulwark against Thatcherism. While British trade unions, for example, were routinely ignored by conservative governments in the 1980s and 1990s, they acquired a seat at the table in Brussels. The rights enshrined in the EU Social Chapter made it more difficult for subsequent conservative governments to weaken social and employment regulations, as long as the UK remained an EU member. For many on the centre-left, leaving the EU risked exposing the UK to a further wave of quasi-Thatcherite reforms.

Moreover, the EU is of existential significance for many, as faith in the project of a unified Europe supplanted the ideological certainties of traditional Socialism after the fall of the Berlin Wall in the late 1980s. As intellectual confidence in the socialist belief in collective ownership of the means of production and state control of the economy waned, it was replaced by a renewed sense of commitment to the European project. Europe promised both a revived internationalism, as well as a model of welfare-state Social Democracy that was instinctively appealing to many on the left. Brexit has not only made the UK worse off, but it has undermined core tenets of Labour's aims and purpose as a party of power. As Jeremy Corbyn, Keir Starmer's predecessor, realised, no Labour leader can afford to be perceived as deliberately marginalising the UK from the EU, a stance that ultimately put Corbyn on a collision course with many of his own party members.

After the EU: Brexit surrender?

Nevertheless, after Brexit was ratified, Labour inevitably faced a fundamental choice. To stand a credible chance of winning a future election, the party had to accept the terms of Brexit. Any indication that it would attempt to re-run the divisive 2016

referendum risked inflicting irreparable damage on its support among key groups in the electorate. It has to be said that not only working-class voters supported Brexit in the 2016 referendum (there were many who voted for Brexit in the affluent South-East of England, for example), nor is hostility to immigration wholly determined by economic status or class identity. It is virtually impossible for Labour to adopt a nativist agenda (even if it wished to do so politically) because, in reality, socially liberal voters in the UK outnumber those hostile to diversity, immigration and Europe, as Professor John Curtice has highlighted.[3] Nonetheless, the divides in Labour's support base are self-evident: in the 2016 referendum, two thirds of Labour voters supported Remain, yet 70% of Labour-held constituencies voted to leave, underlining the fragmentation within the party's electoral coalition.

The alternative for Labour would have been to continue to contest the terms of Brexit, the favoured stance of its former leader, Tony Blair. Yet, doing so ran the risk of delivering further conservative victories and an even more damaging form of Brexit. Keir Starmer made his choice to accept the Brexit settlement. Even so, as the political scientist Harold Clarke and colleagues have written: "Brexit has strong potential to destabilise what is already a fragmenting and shaky party system". The Conservatives were often perceived as the party most fundamentally divided over Europe. Yet Labour has been at least as torn in the wake of the referendum.

Where do we go from here?

Labour may pretend to itself that, now it is back in power, the party is well-placed to make Brexit work more effectively. A key strand of economic thinking, even within the party's moderate wing, is increasingly hostile to globalisation, comfortable with adopting a more protectionist stance. EU market liberalisation is portrayed as a barrier to the pursuit of an active industrial policy and the cultivation of resilient national supply chains. The future is a state-led investment programme inspired by so-called 'Bidenomics'.

Meanwhile, the lack of clarity in the British government understandably breeds frustration in Brussels. EU diplomats and political leaders have priorities other than Brexit, not least given the fact that the new EU Commission has only just begun to work on 1 December. The EU has to manage strategic challenges from migration to energy security and the rise of populist nationalist forces in electoral politics. From the European Commission's perspective, the advantage of the TCA was its clarity, as well as underlining to member states the costs and risks inherent in leaving the EU.

It might now be tempting for Labour to wait until a second term to comprehensively address the question of the UK's relationship with Europe. Yet, surely, the new administration does not have the luxury of time. Storm clouds are gathering over the European continent, while the UK growth rate has been severely constrained by the trade friction imposed by

3 Curtice, J., E. Clery, J. Perry et al. (eds) (2019) *British Social Attitudes: The 36th Report* (London: National Centre for Social Research).

Brexit. Labour is learning the hard way that enacting Social Democracy in a low-growth era is politically fraught.

Against the backdrop of such uncertainty, Britain is presently marooned disconcertingly between the EU and the US, at risk of appearing marginalised and isolated in an ever more dangerous, volatile world. As Professor Andrew Gamble has written: "Britain is likely to end up once more stranded uneasily between Europe and America in a new era of trade wars and protectionism".[4] Whatever the short-term partisan interests of the Labour Party, structural forces associated with the inherent weakness of the UK political economy and the instability of global geopolitics are propelling the UK closer to the EU. The danger for Keir Starmer is that the tentative, cautious stance exemplified by the 2024 election manifesto looks increasingly anachronistic, as if he is fighting the last war, not the battle ahead. Worst of all, his party is increasingly in danger of sowing discontent among those who fear that not enough is being done to move the UK back towards the European sphere of influence.

4 Gamble, A. (2017) "British Politics After Brexit", *Political Insight*, 1(8): 4-6. DOI: 10.1177/2041905817702715